

VZCZCXRO2297
RR RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHCL #0104/01 1441642
ZNY CCCCC ZZH
R 231642Z MAY 08
FM AMCONSUL CASABLANCA
TO RUEHC/SECSTATE WASHDC 8073
INFO RUEHRB/AMEMBASSY RABAT 8321
RUEHLO/AMEMBASSY LONDON 0375
RUEHNK/AMEMBASSY NOUAKCHOTT 2350
RUEHFR/AMEMBASSY PARIS 0653
RUEHEE/ARAB LEAGUE COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 CASABLANCA 000104

SIPDIS

STATE FOR NEA/MAG AND NEA/PI

E.O. 12958: DECL: 05/22/2018

TAGS: [ECON](#) [EFIN](#) [EINV](#) [KDEM](#) [MO](#)

SUBJECT: SOURCES OF WEALTH IN CASABLANCA - INTERNAL, EXTERNAL, ILLICIT

REF: A) CASABLANCA 86

B) CASABLANCA 93

C) CASABLANCA 270

Classified By: Principal Officer Douglas Greene for reasons 1.4 (B)
AND (D)

¶1. (SBU) Summary: In Casablanca, Morocco's largest city and economic capital, prosperity is increasingly on display, raising the question of w major external sources of money. Illicit sources of income including drug trafficking, money laundering and endemic corruption play a role in the growing economy as well. Increased consumption has been a boon to the economy, but Casablanca's wealth must be shared more broadly to benefit all segments of society. End Summary.

INTERNAL SOURCES OF WEALTH

¶2. (SBU) The easily-observable phenomenon of wealth in Casablanca begs the question of where the money comes from. Many Casablangans cite fami According to XXXXXXXXXXXX, the textile industry, based in Fez, traditionally drove the Moroccan economy. In the 1970s and 80s, textile producer Even today, natives of Fez retain their reputation as members of a business-savvy elite. One of Morocco's richest men, Othman Benjelloun, hails Casablanca's prosperity.

¶3. (U) The banking sector, based in Casablanca, also generates wealth. Morocco's 15 banks include five Moroccan-owned private banks and five foreign banks. Thanks to expanding geographic networks and increa

¶4. (SBU) Just as the banking sector contributes to Casablanca's wealth, so does the real estate market, due to a convergence of factors. The scarcity of land in densely-packed Casablanca puts property at a premium. According to the Oxford Business Group, the city covers 69.5 square miles of land, but needs over 100 square miles to support the current population of over three million. As Moroccans have moved from rural areas to Casablanca, land prices have risen. The influx of foreign direct investment (FDI) compounds this effec 2007, real estate accounted for 26 percent - second only to tourism at 29 percent. Given that 63 percent of investors find Casablanca the most attractive locale for investment in Morocco, FDI has had a significant impact on property values in the city - and on the development of a market for high-end goods and services.

¶5. (SBU) In such an environment, speculation occurs, pushing prices upward and enabling landowners to make staggering profits. No sooner is a new Master Plan for Urban Development (SDAU) announced than speculatc

¶6. (SBU) The tremendous performance of Casablanca's Stock Exchange is also a factor in wealth-creation. According to XXXXXXXXXXXX, many compar shoot up, allowing shareholders to sell at a considerable profit. As Morocco's largest city and economic center, Casablanca sees much of the money that Moroccans make in the stock market.

EXTERNAL SOURCES OF WEALTH

¶7. (U) As indicated above, Casablanca has benefited from an influx of money from outside the country. First, remittances from Moroccans resident abroad (MREs) have risen since Mohammed VI became king in 1999, reaching about USD 7.8 billion in 2007. Second, tourism brings in sign

¶8. (U) Foreign investment is a third significant source of wealth in Casablanca. Benefiting heavily from rising oil prices, oil-exporting Gulf countries seek substantial investment opportunities in the Middle East, including Casablanca. Dubai Holding, for example, has begun a USD 500 million project to build a multi-purpose marina adjacent to Casablanca's port. A Kuwaiti-Moroccan group has plans for a residential development in the city. Investors outside the Gulf are also pursuing financial opportunities in Casablanca. As money from MREs, tourism and foreign investors is channeled into banks, real estate, the stock market and other investments, Casablanca's economy expands.

ILLICIT SOURCES OF WEALTH

¶9. (C) Most Casablangans acknowledge that at least some of Casablanca's wealth comes from illicit activities such as drug-trafficking and money laundering. In the words of XXXXXXXXXXXX, "We have dirty money. The problem is we don't know how much." Statistics do not exist to quantify how much of Casablanca's wealth "Morocco is the world's biggest producer of cannabis resin (hashish) and is consistently ranked among the world's largest producers of cannabis." The report estimates that Morocco's drug trade (mostly to Europe) nets about USD 13 billion per year, more than twice the amount brought in by tourism in 2007. Some portion of this money finds its way to Casablanca, where it is either spent on jewelry, cars, houses and other items, or it is laundered. Referring to the use of cafes as fronts for illegitimate business activities, one finance professional joked that "money laundering creates a nice cafe culture in Casablanca."

¶10. (C) Corruption also accounts for a certain amount of Casablanca's wealth. "You cannot imagine how big the impact is," said one long-time r permits for land set aside by the city sometimes become available to developers who pay bribes. Such corruption enables those who benefit from it to amass significant, if undeclared, wealth.

¶11. (SBU) The informal economy is yet another vector by which individuals amass wealth. While the term conjures up images of small-scale retailers or undocumented laborers, it can include full-fledged businesses that operate outside the legal framework and its requirements. In Morocco's textile industry, for example, entire plants have closed their formal operations, only to reopen outside city limits as all-cash enterprises that function under the radar of Moroccan authorities (or with their complicity). The Casablanca mattress factory that burned down in late April 2008, killing 58 workers (REF A), offers a prime example of a situation in which a business owner flouted labor, safety and building codes in the name of profit.

¶12. (C) The Consulate's own experience trying to purchase land for a new facility illustrates how entrenched informal, under-the-table arrangements are in the Moroccan economy. Ninety percent of property transactions in Casablanca are done informally. Of over 30 sites identified, brokers were unwilling to sell in an official deal. Others declined to sell because they are waiting for prices to appreciate. Of those who would sell, many wanted money under the table in addition to the

CASABLANCA 00000104 003 OF 003

asking price. Whether selling property, running a company or starting a business, the high volume of activity conducted outside of formal channels is part and parcel of doing business, and often enables individuals to skirt regulations and increase financial gain.

CONSUMPTION

¶13. (SBU) Explaining the sources of Casablanca's wealth, however, does not necessarily explain consumption. As Khalid Rouggani of BMCE's research division sees it, Moroccans are 'cultivated to be open' and want to know what exists outside their country. As a result, they are aware of foreign brands and products, and willingly purchase them, particularly in cosmopolitan Casablanca. In contrast, Rouggani cited Algeria - a country with USD 120 billion in reserves that is less open to foreign culture and less apt to consume foreign goods. Sales clerks at Dior and Roberto Cavalli seemed to support the view that culture plays a role in stimulating consumption, noting that "Moroccans like to be stylish" and make up the majority of their clientele.

¶14. (SBU) Strict foreign currency exchange controls may also contribute to consumption in Casablanca. While Morocco has loosened restrictions on the amount of currency Moroccans can take out of the country, external controls are still in place. Unable to put significant savings overseas, many Moroccans invest and spend locally.

¶15. (C) Comment: The wealth that is evident in Casablanca indicates many positive developments, including stock market and real estate booms, fueled by remittances and strong foreign investment. It also suggests some tough-to-track, but significant, negative elements, such as drug-trafficking and deep-seated corruption. No matter what the sources of wealth, however, the contrasts between rich and poor in Casablanca are likely to persist, as there are few signs of trickle down. If Casablanicans do not have opportunities to share in the wealth that surrounds them, the risk of broader social tensions is likely to increase. End Comment.

GREENE